



Climate Change Scoping Plan Implementation Update

June 25, 2009
California Air Resources Board

As California Goes...

- ... So Goes the Nation
 - Federal GHG Vehicle Standards
 - Climate Legislation
- Climate Change Scoping Plan Implementation
 - Recent Progress
 - Interagency Coordination
 - Economic and Allocation Advisory Committee
 - Cap-and-Trade Regulation Progress

Federal GHG Vehicle Standards

- In May, the Obama Administration committed to increased fuel economy standards and first ever national GHG vehicle standards
- Federal commitment to match California's stringent standards by 2016
- Auto industry expected to drop all lawsuits
- California preserves the right to establish more stringent standards in the future
 - Pavley II regulations, starting with the 2017 model year, will come to the Board in 2010
- CA emissions waiver expected this month

Federal Climate Legislation

- American Clean Energy & Security Act of 2009 (Waxman/Markey Bill)
 - Federal Renewable Portfolio Standard of 20%
 - Cap-and-Trade Program
 - Targets
 - 17% below 2005 levels by 2020 (*Calif. ~15% below*)
 - 83% below 2005 levels by 2050
 - Point of Regulation roughly comparable to that proposed in Scoping Plan

Federal Climate Legislation (continued)

- Temporary moratorium on State cap-and-trade programs
 - No State cap-and-trade programs 2012–2017
 - Does not apply to complementary measures
- Mechanism for distributing funds to states
 - Staff estimates this at \$90B through 2025

Review of Board's Recent Activities

- Adopted five AB 32 regulations in 2009
 - Mobile Vehicle A/C Systems: Reduction of Refrigerant Emissions from Non-Professional Servicing
 - Sulfur Hexafluoride Limits in Non-Utility and Non-Semiconductor Applications
 - Reductions in Perfluorocarbons in Semiconductor Manufacturing
 - Tire Pressure Program
 - Low Carbon Fuel Standard
- Board has approved eight of nine Discrete Early Actions
- The last Discrete Early Action measure will be considered by the Board today

Overview of June Activities

This Month's Board Agenda

- Discrete Early Action Measure:
 - Landfill Methane Control Measure
- Cool Car Standards & Test Procedures
- AB 32 Cost of Implementation Fee Regulation

Mandatory GHG Emissions Reporting Status

- ~800 reporting facilities & power entities subject to reporting
- ARB staff developed guidance, provided workshops, webinars, and significant one-on-one assistance for the online reporting tool
- June 1 deadline for reporting 2008 emissions
 - About 90% of facilities registered and using online Reporting Tool
 - About 82% of registered facilities have completed reporting
 - ARB staff is working directly with remaining facilities to complete all reporting

Interagency Coordination

- Climate Action Team (CAT)
 - Released draft Biennial Report to the Governor and the Legislature in April
 - Public Health Workgroup
- Coordination with CEC/CPUC on energy efficiency, RPS, CHP, and cap-and-trade
- Interagency Forestry Working Group
- Green Collar Jobs Council
- CAPCOA

CAT Public Health Subgroup

- CAT Public Health Subgroup is jointly chaired by ARB and the Department of Public Health
- First Public Health Workgroup public meeting was held on June 18
 - Recent public health climate change activities
 - Development of tools to identify already impacted communities
- Next public meeting will be on July 6



Overview of Cap-and-Trade *and* Progress on Design of California's Cap-and-Trade Program

What is Cap-and-Trade?

- In a GHG “cap-and-trade” system, a government authority establishes a “cap” that limits the allowed amount of GHG emissions, and then distributes permits for the right to emit up to that amount
 - These permits are called “allowances”
- The allowed amount of GHG emissions (the “cap”) declines each year
- Facilities covered by the program must reduce emissions or compete for the decreasing supply of allowances

How Cap-and-Trade Works

- Firms that can reduce their GHG emissions for a relatively low cost will sell their allowances to those who have a relatively high cost of emissions reductions
- This trading of allowances establishes a market price for GHG emissions

Allowance Allocation

- A critical aspect of cap-and-trade is how the allowances are allocated
 - At no cost to the capped entities (“free distribution”)
 - At a cost to the capped entities (e.g., through auction)
 - Some combination of free distribution and auction
- Issues of concern include
 - Emissions leakage and competitiveness
 - Windfall profits
 - Effect on energy prices
 - Distributional equity
- These and other issues will be addressed by the Economic and Allocation Advisory Committee

Economic and Allocation Advisory Committee

- ARB and CalEPA convened an Economic and Allocation Advisory Committee to advise the ARB on:
 - Tools/methods needed to conduct the economic analysis
 - Methods of allowance distribution in the California cap-and-trade program
 - Uses of any auction proceeds
 - Initial cap level and the rate of decline of the cap over time
 - Offsets usage, including appropriate limits on
- First meeting scheduled for July 1

Regional and International GHG Cap-and-Trade Programs

- Regional Greenhouse Gas Initiative
 - Goal: reduce power sector emissions by 10% by 2018
- Midwestern Greenhouse Gas Reduction Accord
 - Recommended goals: reduce emissions by 20% below 2005 levels by 2020 and 80% below 2005 levels by 2050
- European Union Emissions Trading Scheme
 - Goal: reduce emissions 20% below 1990 levels by 2020

Western Climate Initiative

- Goal: reduce greenhouse gas emissions 15% below 2005 levels by 2020
- 2009–2010 work plan released February 2009
- WCI Committees
 - Cap Setting and Allowance Distribution
 - Markets
 - Reporting
 - Offsets
 - Electricity
 - Economic Modeling
 - Complementary Policies

California Cap-and-Trade Program Rulemaking

- Establish a broad-based California cap-and-trade program to provide a fixed limit on GHG emissions
- Staff is currently soliciting input from stakeholders and the public on program design issues
- Staff will present a recommendation for the cap-and-trade regulation to the Board in fall 2010

Program Design

Major design elements being addressed in 2009

- Setting the cap for each year from 2012 to 2020
- Strategy for distributing allowances
- Emissions reporting requirements
- Offset rules
- Market operations and oversight
- Enforcement

Cap-and-Trade Public Meetings to Date

February 18	<ul style="list-style-type: none">• Greenhouse Gas Reporting
March 10	<ul style="list-style-type: none">• Recognizing and Crediting Early Action
March 23	<ul style="list-style-type: none">• Offsets Quantitative Limit• Market Operations
April 13	<ul style="list-style-type: none">• Competitiveness Issues
April 28	<ul style="list-style-type: none">• Compliance Offsets Criteria• Cap Setting
May 18	<ul style="list-style-type: none">• Allowance Set-Asides
May 21	<ul style="list-style-type: none">• Reviewing and Approving Offsets
June 5	<ul style="list-style-type: none">• Reporting and Verification• Imported Electricity
June 23	<ul style="list-style-type: none">• Point of Regulation for Fuel Combustion Sources

Cap-and-Trade Upcoming Meetings and Papers

Meetings

- Linkage of a California Cap-and-Trade Program to Other Systems
- Reporting for Cogeneration Facilities
- Defining Compliance Obligation and Emissions Data Trends to Assist in Cap Setting

White Papers

- Crediting Voluntary Early Action
- Reporting Emissions from Biomass

For the Latest Information, Visit

<http://www.arb.ca.gov/cc/capandtrade/capandtrade.htm>